

FISCAL NOTE

SB 233 - HB 1859

April 3, 2007

SUMMARY OF BILL: Expands the investment options available to municipal governments.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – This bill could result in a significant change in local government revenues. The investments authorized by the bill inherently carry more risk than those currently available. More risk in an investment generally means a potentially greater return balanced by a potentially greater loss. Such loss could potentially include not just lower returns, but also a loss of principal. It is difficult to predict the outcome of such investments due to the uncertainty of financial markets. However, the change in returns can reasonably be estimated to be millions of dollars. Additionally, the bill removes Comptroller oversight and approval of municipal investments which could potentially result in unauthorized investments subject to litigation. Some municipalities may not have employees with the sophisticated investment knowledge required to perform accurate cash flow analysis which could lead to budgeting difficulties.

Assumption:

- Higher risk investments are subject to more volatility in value potentially leading to higher returns or greater losses.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director